



December 22, 2005

**By E-Mail and Overnight Mail**

Mary L. Cottrell, Secretary  
Massachusetts Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Application of Fitchburg Gas and Electric Light Company,  
Pursuant to G.L. c. 164, App. §§ 2-1 through 2-10, and 220  
C.M.R. §§ 7.00 et seq., for Approval of its Proposed  
Operating Budget and Monthly Surcharge for the  
Residential Energy Conservation Service Programs for  
the Period January 1, 2006 through December 31, 2006.

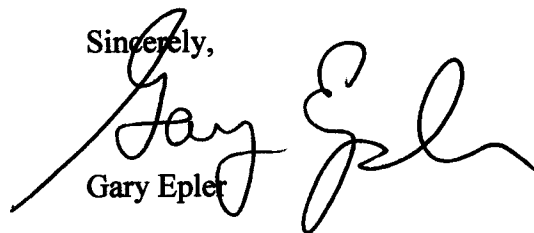
D.T.E. 05-73

Dear Secretary Cottrell:

Enclosed for filing please find the original and nine (9) copies of an Offer of Settlement and a Joint Motion for Approval of Settlement between Fitchburg Gas and Electric Light Company ("FG&E") and the Massachusetts Division of Energy Resources ("DOER") in the above captioned proceeding. Please note that a facsimile copy of the signature of DOER Deputy General Counsel Steven I. Venezia is attached to the Offer of Settlement. Attorney Venezia has authorized me to sign the Joint Motion on his behalf.

Thank you for your attention to this matter.

Sincerely,



Gary Epler

Enclosure

cc: Steven I. Venezia, Deputy General Counsel, DOER  
Joseph Rogers, Assistant Attorney General

Gary Epler  
Senior Counsel

6 Liberty Lane West  
Hampton, NH 03842-1720

Phone: 603-773-6440  
Fax: 603-773-6640  
Email: epler@unitil.com

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**Application of Fitchburg Gas and Electric Light Company,  
Pursuant to G.L. c. 164, App. §§ 2-1 through 2-10, and 220  
C.M.R. §§ 7.00 et seq., for Approval of its Proposed  
Operating Budget and Monthly Surcharge for the  
Residential Energy Conservation Service Programs for  
the Period January 1, 2006 through December 31, 2006.**

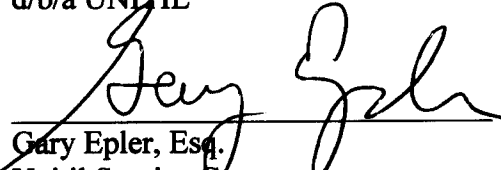
**D.T.E. 05-73**

**JOINT MOTION FOR APPROVAL OF SETTLEMENT**

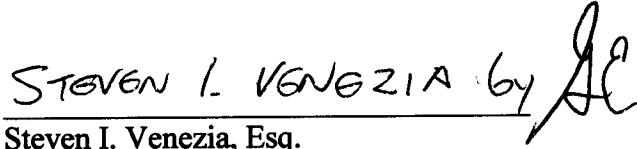
Pursuant to 220 C.M.R. §1.10(8), Fitchburg Gas and Electric Light Company d/b/a Unitil and the Massachusetts Division of Energy Resources (hereinafter collectively referred to as the "Settling Parties") jointly request that the Department of Telecommunications and Energy approve, on or before December 31, 2005, the Offer of Settlement attached hereto.

Respectfully submitted for the Settling Parties by their attorneys this 22nd day of December 2005.

**FITCHBURG GAS AND  
ELECTRIC LIGHT COMPANY  
d/b/a UNITIL**

  
\_\_\_\_\_  
Gary Epler, Esq.  
Unitil Service Corp.  
6 Liberty Lane West  
Hampton, NH 03842  
Telephone: (603) 773-6440  
Facsimile: (603) 773-6640

**DIVISION OF ENERGY RESOURCES**

  
\_\_\_\_\_  
Steven I. Venezia, Esq.  
Deputy General Counsel  
100 Cambridge Street, Suite 1020  
Boston, MA 02114  
Telephone: (617) 727-4732  
Telecopier: (617) 727-0030

**FITCHBURG GAS AND ELECTRIC  
LIGHT COMPANY d/b/a UNITIL**

2. Pursuant to G.L. c.164 App., §§ 2-1 through 2-10, the DOER must adopt a state plan and promulgate regulations necessary to implement that plan. The DOER is responsible for (a) establishing residential energy and conservation goals; (b) establishing RCS Program guidelines; (c) monitoring the implementation of the program requirements; and (d) overseeing the implementation of the state plan, historically by approving a utility implementation plan ("UIP"). The DOER has implemented the redesign of the RCS program, including the amendment of its RCS regulations at 225 C.M.R. 4.00 et seq. In lieu of a UIP, the DOER has approved a statewide RCS Coalition Action Plan ("CAP"). The DOER has also established certain company-specific addenda to the generic CAP, setting forth certain company-specific targets for the implementation of the RCS program. The Company's RCS budget filing of November 1, 2005 incorporates and is consistent with the CAP, as updated, and the Company-specific addendum thereto.

3. The Settling Parties have worked in good faith to achieve the goals set forth for the calendar year 2005 ("CY 2005") in the DOER's Goal Letter dated October 15, 2004 and the Settling Parties' CY 2005 RCS Settlement in D.T.E. 04-102. CY 2005 was a year of pursuing greater implementation for the RCS program. In 2005 the RCS Program saw progress in implementation including: a) continued, periodic collaborative meetings with all the PAs and the DOER where information on best practices was exchanged; b) ongoing calibration of amendments to program offerings and pricing to ensure greater consistency among PAs' programs; c) completion of the RCS program impact evaluation in March 2005; d) retaining participation in an umbrella marketing approach, utilizing the "MassSAVE" name; e) maintaining the recently created MassSAVE website; f) sustain the RCS Network working sub-groups on quality control and periodic reporting; and g) coordination with five-year energy efficiency plans and with PAs in overlapping service areas. In addition, during 2005, certain amendments were made to the CAP in order to address the DOER's goals. These amendments are reflected and included in Exhibit 3A in order to continue to help achieve the DOER's goals. These implementation efforts will be discussed in 2006 RCS Network meetings.

4. The Settling Parties have reviewed and discussed the DOER CY 2006 RCS Goals Letter dated October 15, 2005 (the "Goals Letter"). The Company commits to working in 2006 with the objective of achieving the outcomes set forth in the Goals Letter with the following clarifications and adjustments:

Goal #1: Increase Implementation: The PAs developed the energy savings analyses reflecting the two data sets as described in more detail in the Goals Letter (1—percentage of total program costs that result in expenditures for customer incentives; and, 2—ratio of total costs and residential DSM weatherization customer incentive costs to total MMBTU savings from residential weatherization and RCS programs). The Company in collaboration with other PAs, has collectively fulfilled its commitment to establish a baseline in Year One of a three-year effort to advance the three principal program outcomes sought by the RCS Guidelines: 1) to increase implementation 2) to facilitate one-stop shopping and 3) to create a competitive market for energy efficiency and renewable energy services and products. The two strategies articulated in the 2004 Goals Letter identify the two values: the first creates a percentage of total costs allocated to customer incentives; the second quantifies program dollars per MMBTU (i.e. the number of program dollars needed to save a lifetime MMBTU). In 2004 the collaborative response for the participating PAs indicated that customer incentives comprised 54% of total RCS program costs and that lifetime MMBTUs cost \$2.02. Within the collaborative group, Fitchburg Gas and Electric Light registered lifetime MMBTU savings of 26,999. These figures establish the baseline by which 2005, Year One of the three-year effort, shall be compared. As stated in the Goals Letter of October 15, 2005, the Company agrees to submit these values for 2005 to the DOER on or before June 30, 2006. In 2006, the Company will review this analysis with the DOER.

The Settling Parties agree that such analysis shall not alter or be used to alter or otherwise revise any matter related to the Company's energy efficiency programs pre-approved by the Department in the Company's separate energy efficiency program pre-approval

dockets, including without limitation the four-year energy efficiency plan settlement in docket in 05-53. Without limitation, such analysis shall not alter the savings or savings methodologies used for calculating or establishing savings, cost recovery, lost base revenue/lost margin recovery, incentive recovery or benefit/cost ratios with respect to such pre-approved energy efficiency programs. All such matters will continue to be addressed for all purposes as provided in the Company's most recent energy efficiency pre-approval order and/or pre-approval settlement as applicable.

Goal #2: One Stop Shopping. The Company will continue to seek to achieve the outcome as stated in the 2006 RCS Goals Letter. The Company will continue to cooperate with the DOER and other PAs in promoting one-stop shopping. CY 2005 efforts in this regard are noted in paragraph 3 above. The Company plans to continue these efforts in 2006, including efforts to minimize repeat audits and to distribute efficient light bulbs at audits, thereby helping increase the savings achieved in the program. Additionally, this goal was actively addressed in the Company's recent 4-year energy efficiency plan settlement, approved by the Department in D.T.E. 05-53.

Goal #3: Create a Competitive Market for Energy Efficiency and Renewable Energy Services and Products. The Company will seek to achieve the outcome as stated in the Goals Letter. The Settling Parties acknowledge that the Company fulfilled its commitment to develop a summary document to measure the growth of a competitive market within the RCS Program. The Company submitted a document with the results presented on a combined, collaborative basis. This summary document dated May 25, 2005 enumerates the vendors delivering various specified services within the RCS Program. The Company lists 5 vendors in total. The Settling Parties agree that the Company will file either solely or collaboratively with other RCS PAs a similar summary document for CY 2005 providing company specific information as submitted in its "CY 2005 RCS Follow-Up" correspondence of May 25, 2005, Attachment B. The Company may also submit, in its discretion, any additional vendor information that evidences the development of a competitive market for energy efficiency and renewable energy services and products. The measurement criteria in the summary document shall build upon the baseline established last year. The document shall be submitted to the DOER on or before June 30, 2006.

5. In support of this Offer of Settlement, the Settling Parties hereby incorporate into this Settlement the exhibits the Company filed with the Department on November 1<sup>st</sup> in support of its proposed budget surcharge.

6. The DOER has received and reviewed the Company's CY 2006 budget filing and finds that the Company's proposed budget is adequate to support the activities contemplated during CY 2006.

7. The Company's RCS budget filing complies with the requirements established in G.L. c.164 App., §§ 2-1 through 2-10; 220 C.M.R. §§ 7.00 *et seq.*; and the essential filing requirements set forth in Mass. Save, Inc., D.P.U. 85-189 (1985).

8. The Company's actual Gas Division expenses for the first nine months of calendar year 2005 (CY-2005) were \$1,362.17 and are reasonable and therefore recoverable from ratepayers (Exh. 2, Page 1). The Company's filing also demonstrates that its actual Gas Division expenditures for the last three months of calendar year 2004 are similarly reasonable and recoverable. See generally Exh. 2, Page 5. The Settling Parties agree that the Department will review the Company's actual expenditures for the final three months of CY 2005 in the next annual RCS budget review.

9. The Company's CY 2006 budget projections are good faith estimates based on the estimates approved for CY 2005 and actual in-field experience during CY 2005. These twelve-month estimated expenditures for CY 2006 are reasonable and recoverable from the ratepayers. Funding the budget at this level helps to assure the successful implementation of the redesigned RCS program.

10. Given that the Settling parties are beginning Year Two of the three-year effort to achieve goals of the redesigned RCS program, the Company will continue to cooperate with the DOER in CY 2006 in the betterment of the RCS program.

11. The Company calculated its Gas Division RCS surcharge by dividing the net amount to be collected to support RCS services and factoring in an adjustment with respect to past expenditures and collections by the total number of gas-only bills expected to be rendered during CY 2006. (Exh. 2, Page 1, Surcharge Calculation Sheet). The RCS surcharge to be applied to the Company's Gas Division bills during CY 2006 shall be \$0.13 per bill per month. This surcharge reasonably compares with the surcharge of \$0.09 per bill per month approved by the Department in The Fitchburg Gas and Electric Light Company, D.T.E. 04-102 (December 24, 2004) for CY 2005.

12. The Company's proposed CY 2006 RCS program budget, budget reconciliations, and proposed CY 2006 surcharge, are reasonable.

13. The making of this Settlement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid.

14. This Settlement is expressly conditioned upon the Department's acceptance of all of its provisions, without change or condition on or before December 31, 2005, and if the Department does not accept it in its entirety, without change or condition, the Settlement shall be deemed to be null and void and without effect, and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

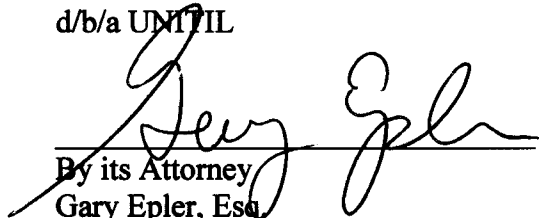
15. The Department's acceptance of this Settlement does not constitute

continuing approval of, or precedent regarding, any particular issue in this proceeding, but such acceptance does constitute a determination that, as the Settling Parties believe, the provisions set forth herein are just and reasonable.

16. The discussions which have produced this Settlement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding or otherwise.

WHEREFORE, the Settling Parties agree to jointly petition the Department to approve this Offer of Settlement by submitting a Joint Motion for Approval of Offer of Settlement in accordance with 220 C.M.R. § 1.10(8), and by their attorneys do hereunto affix their names.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
d/b/a UNITIL

A handwritten signature in black ink, appearing to read "Gary Epler", is written over a horizontal line.

By its Attorney  
Gary Epler, Esq.  
Unitil Service Corporation  
6 Liberty Lane West  
Hampton, NH 03842  
Telephone: 603-773-6440  
Telecopier: 603-773-6640

MASSACHUSETTS DIVISION OF ENERGY RESOURCES

---

Steven I. Venezia, Esq.  
Deputy General Counsel  
100 Cambridge Street, Suite 1020  
Boston, MA 02114  
Telephone: 617-727-4732  
Telecopier: 617-727-0030

continuing approval of, or precedent regarding, any particular issue in this proceeding, but such acceptance does constitute a determination that, as the Settling Parties believe, the provisions set forth herein are just and reasonable.

16. The discussions which have produced this Settlement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding or otherwise.

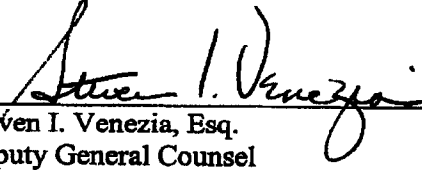
WHEREFORE, the Settling Parties agree to jointly petition the Department to approve this Offer of Settlement by submitting a Joint Motion for Approval of Offer of Settlement in accordance with 220 C.M.R. § 1.10(8), and by their attorneys do hereunto affix their names.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
d/b/a UNITIL

---

By its Attorney  
Gary Epler, Esq.  
Unitil Service Corporation  
6 Liberty Lane West  
Hampton, NH 03842  
Telephone: 603-773-6440  
Telecopier: 603-773-6640

MASSACHUSETTS DIVISION OF ENERGY RESOURCES



---

Steven I. Venezia, Esq.  
Deputy General Counsel  
100 Cambridge Street, Suite 1020  
Boston, MA 02114  
Telephone: 617-727-4732  
Telecopier: 617-727-0030